

**The City of Lynchburg  
Review of Bank One Credit Card Purchases  
Human Resources Department  
August 5, 2005**



**Prepared by the Department of Internal Audit**

## ***Introduction***

The Department of Internal Audit performs reviews of charge card purchases throughout the City on a routine basis. These audits are performed on records of departments or sub-departments that are selected with the goal of providing city-wide coverage and continuous monitoring of the expenses.

Departments are responsible for printing bi-weekly statements from Bank One's electronic report generation system, reconciling receipts/charge slips to the bi-weekly transactions on the statements, entering the general ledger expense codes for each transaction into Bank One's electronic report generation system, and maintaining the detailed transactions for the time period required by the City of Lynchburg's record retention policy. Our audit of Bank One expenditures of the Human Resources Department was performed as one of the regularly scheduled standard audits on the annual internal audit plan.

## ***Review Objectives***

The purpose of the review was to determine that:

- Charges are supported by an invoice;
- Invoices and/or statements are properly approved;
- Receiving documents are present (where applicable);
- Charges and payments are appropriate and accurately recorded;
- Card authorization forms are on file for employees; and
- Disputed charges and/or returns are resolved in a timely manner

## ***Scope of Work***

We interviewed personnel in the Human Resources Department and reviewed support documentation for all transactions posted on the reporting system during the period of 1/27/05 through 4/26/05. We also determined the accuracy of accounting codes and verified that signed employee authorization forms were on file in Procurement. Our tests included transactions for seven of the nine employees to whom Bank One cards were issued.

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

## ***Opinion On Internal Controls***

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and are properly recorded.

Based on this review, it is our opinion that controls are adequate to ensure that departmental statements are properly approved and receipts for goods or services are maintained and attached to appropriate invoices to provide reasonable assurance that assets are safeguarded and transactions are authorized.

## ***Audit Conclusions***

### **Based on the results of our review, we conclude that...**

- Expenditures were adequately supported by an invoice;
- There were approval signatures for all of the transactions tested;
- Receiving documentation was on file where appropriate;
- Charges were reasonable;
- Transactions were accurately recorded except as noted in the Observations and Suggestions section of the report;
- Card authorization forms were on file for employees; and
- Disputed charges and/or returns were resolved in a timely manner.

## ***Observations and Suggestions***

Based on the testing of 33 transactions, the following exceptions were noted:

1. One transaction (3%) was found to have an incorrect expenditure code.

**Suggestion:** We suggest that the Human Resources Bank One card coordinator review the expenditure codes assigned by the cardholder to independently verify the coding and to determine reasonableness and consistency in posting. This will prove useful to departmental personnel who use this data to monitor recruitment, training, and other costs.

2. Sales tax was paid in error for two items (6%) purchased from retail stores.

**Suggestion:** We suggest that departmental employees be reminded of the City's tax exempt status and to be especially alert when purchasing items at locations where the cashier must be told of the purchaser's tax exempt status.

**Management Action:** The Human Resources Bank One card coordinator stated this item can be addressed at the next departmental staff meeting.

***Other Comments:***

We appreciate the time and assistance received from the department's Bank One Coordinator, Tamara Merchant, during this review. We are available to discuss this report should there be any questions, and offer our assistance, if needed, in addressing the reported issues.

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Carol J. Bibb  
Internal Audit Director

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Emmie G. Boley  
Staff Auditor

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